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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Administration  
Washington, D. C.

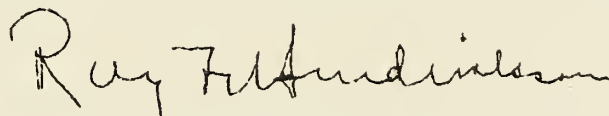
July 18, 1942

ADMINISTRATOR'S MEMORANDUM NO. 18

Subject: Grain storage

Mr. J. E. Wells, on special detail from the Farm Credit Administration, has recently visited a large number of centers in grain producing, processing and storage areas, to mobilize efforts to meet grain storage problems. His estimate of the situation is shown in the attached report.

Because field workers in most areas are asked many questions and are often asked to assist in dealing with this problem, this is sent to you for your information.

  
Administrator

Attachment

F-264



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Administration  
Washington, D. C.

MEMORANDUM

July 9, 1942

To: Roy F. Hendrickson, Administrator  
Agricultural Marketing Administration

From: J. E. Wells, Jr., Special Assistant to the Administrator

Subject: Grain Storage

Because of your interest in the problems with which farmers are faced in finding a home for all grain produced during 1942, I should like to review the situation for you.

The fact that there would not be sufficient commercial storage space in which to store all of the grains produced during 1942, was recognized by the Department early this year for the entire wheat and other grain producing areas in the United States because the total commercial space of about 1,637 million bushels was from 70 to 80 per cent filled. Further, it was recognized that the only other safe place, since commercial storage would not be adequate for the 1942 abundance of wheat and other grains, was farm storage. Therefore, numerous meetings have been held in all wheat producing areas to inform farmers, country elevator operators, sub-terminal and terminal operators, millers, feed manufacturers, railroads and others, concerning the oncoming storage problems and some remedies were suggested.

We believe that for the United States it will be necessary, this year, to find room for from 200 million to 400 million more bushels of grain than was stored last year.

There is no single panacea that will solve the storage problem but the following are some of the programs being applied in the United States:

1. Most efficient use of existing commercial storage to accomplish:

- (a) Providing a steady flow of grains for flour, feed and other processing purposes.
  - (b) Finding a home for the carry-over of grains both private and Government owned.
  - (c) Providing space in commercial storage for as much of the 1942 grain crops as possible so eligible farmers may receive loans from the Commodity Credit Corporation.
2. Stimulate farmers to construct or repair bins on their farms. It is hoped that 100 million bushels of space can be added to our existing farm storage by this means. Nails have been provided for this construction and efforts are being made to have lumber available at local lumber yards to build these bins.
  3. Movement of steel bins owned by the Commodity Credit Corporation from the corn belt into the wheat producing areas for storage of the carry-over owned by Commodity Credit Corporation. This may provide about 50 million bushels of space for the storage of wheat.
  4. Purchase of prefabricated bins by the Commodity Credit Corporation for storing its own wheat and for the sale of these bins to farmers for the storage of their wheat. The Corporation has orders for more than 100 million bushels capacity.
  5. Construction of new fire-proof facilities in a limited amount. Over 100 million bushels of this type of space was built last year. Only about 15 million bushels can be built this year because of priority restrictions on critical materials.
  6. Allowing farmers a storage earning of 7 cents per bushel on all wheat stored on farms and on which loans are made by the Commodity Credit Corporation. Eligible farmers, as of this date, can obtain over 25 cents more per bushel for their wheat if they store it on their farms and obtain a C.C.C. loan on it, than if they sell it for cash.
  7. Sale of wheat owned by Commodity Credit Corporation for feed and alcohol uses. The future of this program has not been determined by the Congress. If 125 million bushels of wheat could be fed to livestock and poultry, it would materially help to solve this storage problem. Since the beginning of 1942, about 6 million bushels of wheat have been sold for making alcohol and about 35.4 million bushels have been sold for feed.

8. Permitting eligible wheat to be stored for loan purposes in vacant store buildings and other such structures under special agreements. Although we do not have the day-to-day increase in capacity resulting from this program, we believe, however, that this will add considerable storage capacity.
9. Reconcentrating government owned wheat stored in the Great Plains areas into Government owned steel bins in the corn belt. It is hoped that up to 25 million bushels can be so reconcentrated. The amount of wheat that will eventually be reconcentrated under this program will depend upon the ability of the Department to sell this reconcentrated wheat for feed, alcohol and synthetic rubber uses.
10. Establishment of market storage committees to assist local communities to solve their problems of transporting and storing grain. These committees are composed of representatives of the trade, farmers and the railroads. They develop current reports concerning space and convene frequently to determine policies to meet changing conditions, and develop plans in order to handle emergencies.
11. Establishment of Permit Committees to handle movement of grain into markets that are embargoed, except by permit. The railroads will not permit their freight cars to be used for storing grain, neither will they permit a car to be loaded in the country unless it can be unloaded promptly upon arrival at terminals. So because of the shortage of commercial terminal storage, grain coming to terminals for storage can only be moved by permits. There are now 22 such committees operating in the United States.
12. Reconcentration of grain from original storage space to more distant storage locations during 1941, made room for about 85 million bushels at interior points. It is estimated that not over 12 million bushels can be moved in this way during 1942.
13. Efforts have been made to distribute the small amount of burlap on hand to locations needing these supplies. Some small relief has been provided, but with foreign supplies blockaded, farmers are being urged to provide bulk storage facilities using lumber and the least amount of critical materials. This affects principally the rice areas of Texas, Louisiana and California and for wheat and barley, principally California and the Pacific Northwest.

14. Educational programs are being provided by the Department through special crop and market reports, advise from county committeemen and the extension service concerning harvesting methods and methods for taking care of grain for farm storage and in farm bin construction in order to assist farmers to meet these changed conditions.
15. Interior mills that have 1940 or 1941 wheat stored in them, which is owned by Commodity Credit Corporation, may under certain limitations purchase this wheat from the Corporation at market prices in order to operate their mills. The Commodity Credit Corporation replaces this wheat by purchases at other locations.
16. There are sufficient box cars and railroad power to move the crop. Lake shipping has been materially curtailed and indications now are that more lake boats that cannot be used in the ore trade will be taken for convoy service. This will require the handling of more grain to Buffalo and eastern ports by rail which will cause inconvenience and some lack of efficiency at the large processing plants of the east.
17. More than one million bushels of wheat owned by the Department and stored in the Pacific Northwest area, has been ground into flour and is being sold for Lend-Lease shipment to the Far East. More will be ground for this purpose in the future, but only as needs arise.

If further details are desired concerning these Programs, it is suggested that local people contact the following:

Items 1, 10 and 11

Grain Storage Committee at all important markets. These usually have headquarters at the various Boards of Trade.

Items 2, 3, 4, 5, 6, 7, 13 and 14

County or State Agricultural Conservation Associations.

Items 3, 4, 6, 7, 8, 9, 12, 14, 15 and 17

Regional offices of Commodity Credit Corporation at Chicago, Minneapolis, Kansas City or Portland, Oregon.

We are pleased to say that a large majority of the operators of county elevators, sub-terminal elevators, the flour and feed mills and the railroads are giving splendid cooperation in meeting and

5 - Roy F. Hendrickson - 7/9/42

solving the storage problem. It must be admitted, however, that there are a few selfish interests who are taking advantage of the shortage of commercial storage space in order to purchase cash grain at discounts. When such cases come to our attention, we try to have them change their methods.

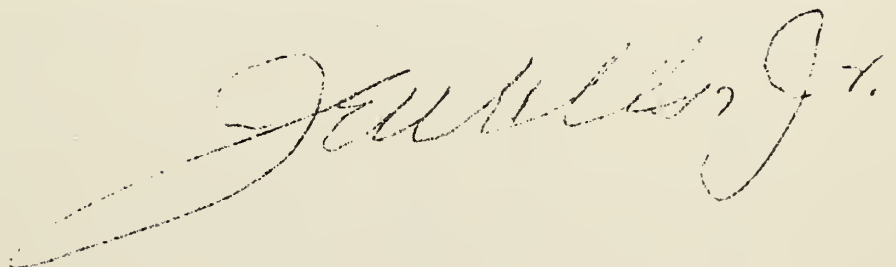
In reviewing the entire situation, it is necessary to realize that the wheat carry-over in the United States increased from 385 millions on June 30, 1941 to about 630 millions as of June 30, 1942. The prospective wheat crop produced on the limited 55 million acres of 1942, will probably be about 900 million bushels. Unless some extraordinary outlet is found, such as using our supplies of wheat for feed, and for alcohol and synthetic rubber processing, we might easily anticipate a carry-over of wheat on June 30, 1943 of 800 million bushels. Further, if we have normal production from the 55 million acres of wheat allocated for 1943 production, we may now anticipate a much more serious storage problem for 1943 than we are now having in 1942. This becomes more apparent when we realize that our ability to obtain building materials may also be more difficult in 1943 than it has been in 1942.

If it were possible to obtain all of the material necessary for new construction, undoubtedly, many of the problems of storing the 1942 grain crops would be solved. It is impossible, however, to obtain the critical materials essential for any large amount of fire-proof construction.

Therefore, the program of obtaining lumber and nails for non-fireproof farm bins is the most imperative need. Many difficulties have been encountered in obtaining these materials, but in the final analysis, the success or failure of finding a home for the grain carry-overs and the 1942 production, will depend upon the obtaining lumber, nails and hardware necessary to build farm storage bins. We are working with the War Production Board endeavoring to be sure that adequate supplies of these materials will be available.

I hope this brief description of a very large grain storage program has been helpful. We shall be pleased to give you any additional available information you may desire.

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A large, stylized handwritten signature in dark ink, likely belonging to Roy F. Hendrickson, is written across the bottom right of the page. The signature is fluid and cursive, with a long horizontal stroke extending to the left.

